Communicating Business Ethics: The Role of Ethics in the Millennial Entrepreneur’s Decision to Start a Business

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Abstract

This review paper is an integration and extension of the existing knowledge on Business ethics regarding the perception of entrepreneurs belonging to the Millennial Generation and its role in their decision-making process while establishing a new business. Using the available body of literature, this study aims to determine whether business ethics is perceived as an integral part of the decision-making process of the Millennial Generation. Millennials is the most recent and largest workforce of today and includes those born between 1980 and 1990. This study starts with a general discussion on business ethics and its relation with age, followed by a review of ethics for entrepreneurs and the Millennials. This review revealed that although majority of Millennials consider business ethics as a vital component of business, however, all of them have not included the business ethics yet prior to start a new business in their decision making.

Keywords: Business ethics, Millennial, Entrepreneur, Decision making, Business, Communication.

Introduction

The success of any business immensely depends on the quality of relationship with the stakeholders, like vendors, investors, customers, and partners (Friedman, 1970). Differences in these relationships can suffer from conflict, which calls the business’s capacity to deal with these issues according to ethical and moral standards (Brenkert, 2009). To address such issues, many large organizations have provided ethics as documented guidelines in their policies and procedures (Hannafey, 2003). However, small companies and new start-ups do not have structured ethical codes (Coscarella, 2005). For the same reason, Banks & Taylor (1991) pointed that small business ethics is an important topic of interest. Studies by Coscarella, (2005) and Longenecker et al., (2006) have revealed the establishment and management of ethics in small business, but for the Millennials these studies lack focus on Millennials starting up new small businesses (Andrews, 2014).

The concept of Business Ethics has been in limelight since many decades. However, this concept came under wide questioning owing to the increase in crimes in public and private sector organizations. This has led to negative effects in global economy (Anokhin & Schultz, 2009). The most notable of these include the corporate collapse of Enron (Sims, 2009), Mobil/Exxon oil spill (Coscarella, 2005) and Nike’s child labor exploitations (Coscarella, 2005).

We see how entrepreneurship has dominated the global corporate industry starting from the lead manufacturing trade in prehistoric and ancient times (Patterson, 1972), to the 19th century Industrial Revolution (Stearns, 2007). Entrepreneurs have participated in the national and international economies of almost every industry (Coscarella, 2005). Due to this, emphasis has been laid on studying the entrepreneurial business ethics (Andrews, 2014). Research works conducted by Smith & Oakley (1994) revealed a positive significant relationship between ethics and age.

This study focuses on Millennials who are born between 1980 and 2001 for the reason that business people of this generation face different types of challenges contemporary to the current dy-
namic business environment and different to those that had been experience by the previous genera-
tions (Terjesen, Vinnicombe, & Freeman, 2007). These differences account to globalization, in-
creasing competition and advances in technology & education. These advancements have influenced
the way the Millennials start up their businesses and the way they handle the business operations
(Carpen, 2008). The majority of the existing research works on business ethics have normally
stressed on ways to implement these ethical practices in large businesses (Half, 2008). However,
Jurkiewicz & Bradley (2002) have suggested that the generational perspectives on ethics have af-
fected businesses of all sorts, both large and small.

This study uses the existing repository of literature as secondary data source to delineate the
various definitions and categories of business ethics followed by an investigation into the ethical
beliefs and practices by focusing on a specific generational group of Millennials regarding ethics in
business. Andrews (2014) examined whether or not the Millennials include ethics in their decision-
making processes and suggested to determine the perceptions of specifically the Millennials on
business ethics since no such study exists which addresses the individual concerns of entrepreneurs
when starting up a new business (Jurkiewicz & Bradley, 2002; Tseng et al., 2010). The current study
aims to fulfill this gap in literature. Hence, the main agenda for this study is to provide a deeper un-
derstanding of the theory of business ethics as perceived by Gen Y entrepreneurs. Based on these
gaps in ethics literature, the main objective of this study is to determine whether business ethics is a
part of the decision- making process of Gen Y entrepreneurs when starting their own business

This study adds contribution to the existing body of knowledge by integrating the available
literature on Business Ethics according to the view point of the Millennials and the importance of
ethical behaviors to them in making a decision in starting a new business. This study addresses the
generational preference of ethics for Millennial workforce. Practically, this study has implications in
determining the perceptions of ethics in curriculums and training modules where the identification
and management of ethical practices can be taught or adjusted in business schools (Plumly et al.,
2008). Also, this information about ethics can prove helpful to those Millennials who plan to estab-
lish new business.

**Literature review**

**Business Ethics**

The modern workplace needs defined ethical values and practices for integrity at work
(Joyner & Payne, 2002). Early scholars have proposed man theories that address this phenomenon.
Among the ancient pioneers were Plato and Aristotle who considered ethics as “a perfect vision of
the laws of order beyond the human realm” (Jonsen, 1991). Another picture was presented by Phro-
nesis who proposed ethical perspectives as linked to “human behaviors and human decision making”
(Jonsen, 1991).

The formal identification and declaration of ethics as a discipline took place in 1960s
(McMann, 2010). In large corporations, there are ethical codes that define ethical boundaries for
whistle- blowing, employee relations, conflict of interest, commercial bribes, impact on environment
and financial practices (Benson, 1989; DeAngelis, 2011; Lamb, 2009; Schwartz, 2004). However,
for small corporations, there are no pre-defined ethical codes, but emerge as issues emerge and are
resolved according to the ethical discretion of its owners (Schwartz, 2004). Researchers like Tseng
et al. (2010) consider the ethical considerations of large and small corporation as relatively same and
Longenecker et al, (1989) voiced that “small businesses have better ethics simply on the premise
that smaller organizations have fewer employees and can manage behaviors better in this more controlled environment”.

While defining ethics, scholars have made use of philosophical perspectives. For instance, Carlson & Kacmar’s research (1997) suggested three different ways to approach ethical perspectives: moral philosophies, cognitive moral development, and ethical value system. They showed that moral philosophies are distinctive but unpredictable, since determining if situations are ethical or not, are inconsistent according to gender, age, education, environment and experiences (Murphy, 1999; Reidenbach & Robin, 1988; Shanahan & Hyman, 2003; Solomon, 1999).

Study by Hornesby et al. (1994) revealed that the individuals define ethics into four groups: “business development/profit motive, money-related theft, administrative decision making, and access to company pressure”. These factors provide a practical guideline to evaluate the prevalent ethical issues in any business. Another study by Greenfield et al. (2008) study suggests a significant relationship between an individual’s ethical orientation and decision-making, since individuals tend to differ in their approach to same situation and relate to ethical considerations (Marshall & Dewe, 1997). Beversleus (1987) questioned if business ethics actually existed or not as he found no difference between moral behavior and ethical behavior. According to Guidice et al., (2009), “business is a game, there are no constraints against behaviors for morality or values. If business is a game, then behaviors are driven by competition in the organization or market” (Guidice et al., 2009).

An individual’s religious beliefs also serve as a framework to comprehend the ethical perspectives. This implies that if religious beliefs of employees differ from each other, then their ethical values will be same or different? (Brown, 1984). Study conducted by Longenecker,

McKinney and Moore (2004) noticed differences in these results based on religious beliefs. However, those with the same religious affiliations showed higher levels of ethical judgment. Besides, McDevitt et al. (2007) and Coscarella (2005) also found gender, religion and age as important factors of ethical influences. But, religion and gender are not the focus of this study, rather the age is the main criteria for understanding the concept of ethics.

Entrepreneurship

Researchers explained the act of entrepreneurship and entrepreneurial process in various ways. For instance, Collins and Moore (1970, p. 89) illustrated that “the act of entrepreneurship is that of bringing ideas, skills, money, equipment, and markets together into a profitable combination”. Besides, Bygrave and Hofer (1991) postulated that the “entrepreneurial process involves functions, activities, and actions associated with the perception of opportunities, as well as the creation of the business to pursue these opportunities” as cited in (Keh, Foo, & Lim, 2002).

In today’s fast-paced and complex global business environment, new challenges and pressures arise for which calculated risk-taking is inevitable. Entrepreneurs, by definition, are risk-takers so it is important to examine whether this risk-taking involves them in unethical practices. Hence, the business environment tests the traditional ethical values (Beltramini et al., 1984). In order to do so, we involve Entrepreneurial ethics, which addresses the ethical beliefs and practices of entrepreneurs. Research in entrepreneurial ethics has been limited, although ethical decision-making is a worldwide phenomenon (Bucar, Glas, and Hisrich (2003).

“Difficult ethical decisions are part and parcel of the entrepreneur’s life” (Dees & Start, 1992, p.90). This means that Entrepreneurs must be full conversant with ethical and moral implications of its business practices (Machin, 1999). The traditional theories linking entrepreneurship and business ethics consider the decision-maker as either rational or situational (Harmeling, Saravathy, & Freeman, 2009). In case where entrepreneurs believe that they can predict risk involved with their businesses, they can determine whether this business idea is worth pursuing or not (Keh et al.,
2002) through a cognitive process. Hence, Stevenson and Jarillo (1990) define entrepreneurship as “the pursuit of opportunity without regard to the currently controlled resources”. This implies that ethics, generally speaking, seems to be concerned with values and entrepreneurship with value creation. However, values and value creation overlap but they have not been extensively studied together (Harmeling et al., 2009).

Solomossy and Masters (2002) have proposed a model in which they explained the ethical decision making process according to the personal characteristics of entrepreneurs which drew a line between the ethical decisions made by entrepreneurs and other managers. This model, generally speaking, is based on the personal ethics and beliefs of an individual for making decisions. In the same line, the research work of Spence’s (1999) explained the ethical behaviors carried out by managers in large and small businesses. They linked specific practices to potential ethical issues, however they did not identify any link between an individual’s characteristics and ethical decision-making.

Few research scholars have identified the entrepreneurial traits and their impact on ethical decision making. For instance, Hornesby et al. (1994) showed that individuals categorize ethics into four groups: business development, money-related theft, administrative decision making, and access to company pressure (Coscarella, 2005). However, Cunningham and Lischeron (1991) identified three common traits in entrepreneurs: high achievement motivation, risk taking propensity, and clear personal values. Similarly, Smallbone and Welter’s (2001) conducted a study on the characteristics of entrepreneurs in order to support the theory that “attitudes affect behaviors of entrepreneurs and the attitudes of society toward entrepreneurs”.

Studies investigating the roles and goals of entrepreneurs by Anokhin and Schultz (2009) portray entrepreneurs to possess individualistic goals of success and that by Bhide (1996) show that a large number of entrepreneurs want to avail short –term opportunities, rather than running after long term goals. Teal and Carroll’s (1999) proposed that entrepreneurs possess a high level of capabilities regarding moral decision-making, as compared to the general population of managers. On the contrary, Bhide (1996) claimed that despite having high ethical standards, entrepreneurs lack the basic guidance that is available to managers of large firms. According to him, “Lasting success requires entrepreneurs to keep asking tough questions about where they want to go and whether the track they are on will take them there” (Bhide, 1996, p. 130).

Entrepreneurial Ethics

Bryant (2009)’s study is one of the important studies in the field of entrepreneurial ethics, which has identified the relationship between self-regulation and the entrepreneur’s individual moral awareness and has also investigated the link of these to individual’s ethics. The ethics of entrepreneurs is self-regulated as it is based on the awareness of personal ethical values and morals. This implies that entrepreneurs who possess a strong sense of moral awareness and self-regulation are able to maintain their values and meanwhile develop a business culture of trust (Bryant, 2009). When trust and respect is integrated into the framework of business, this helps to build trust within internal and external relationships (Sciarelli, 1999).

However, it is important to note that the business of an entrepreneur has a much smaller and narrow scale as compared to large corporations and there are higher risks of owning and losing finances in the business while operating (Bucar, 2001), so building relationships with customers, suppliers and vendors is essential and this relationship is “transactional” in nature (Collins & Moore, 1970). This shows that an entrepreneur’s ethical and moral standards are a significant predictor of their business success (Bucar, 2001). The self-regulation helps the entrepreneur to make decisions
and effective strategies for daily operations of business (Bryant, 2009). However, DeLeon (1996) have claimed that the inconsistency between the ethical values and practices poses a major criticism for entrepreneurs. Bhide (1996) proposed that this inconsistency is of the inexperienced young entrepreneurs that tend to create a gap in their abilities to develop appropriate business strategies and make accurate decisions about the recruitment and retention of their employees.

Another view regarding entrepreneurial ethics is the life and work experience of an individual (Collins & Moore, 1970). The work experiences and the business environment impacts the ethical perceptions and their decision-making process. To gain success, an entrepreneur should be able to avail the market opportunity strategically so that market credibility is established and business relationships are made while efficiently handling and utilizing the business resources (Bhide, 1996). Baucus and Human’s (1994) showed in their research that entrepreneurs having prior work experience usually attempt to change the processes to create, manage, organize and operate their own established businesses. This implies that entrepreneurial skills and ethics can be learned with formal education, on-the-job work experience and through mentorship. However, as per Collins & Moore (1970), the formal education system cannot teach these skills. Plumly et al., (2008) examined an entrepreneurship training program in which students used case studies and other simulations that demand creativity and risk taking to be employed for a non-traditional approach to study business ethics. But, these approaches seem invalidated and inappropriate since there is no one agreed upon definition of business ethics.

Like business ethics, entrepreneurial ethics has been studied across various nations and cultural groups. For this purpose, Bucar, Glas, and Hisrich (2003) established a framework in order to study the ethical attitudes of entrepreneurs on a cross-cultural basis. Their findings indicate that cultural norms determine ethical standards. Similar work was carried out by Clark and Aram’s (1997) who identified few fundamental values across cultures, but they differed in case of entrepreneurial ethics.

**Gen Y or Millennials Ethics**

Currently, four generations form the modern workforce: Traditionalists, Baby Boomers, Generation X, and Millennials (or Generation Y). Consequently, the chances for conflict at work are high because of the different educational background and varying approach to decision-making and ethical behavior (Smith & Clark, 2010). Deal (2007) put forward that the workers belonging to these generations do possess similar values, but their behavior around those values may be different.

The Millennial generation is the largest, most recent, most educated, and most diverse of all. They possess many qualities like better planning, more confidence and risk takers. Millennials value work as an integral component of their lives, unlike the previous generations who deemed to create a balance between work and life. This shows that Millennials look forward to work which gives a meaning and sense of purpose to their personal achievement, which is a key factor for their job satisfaction (Meister & Willyers, 2010). Another key quality of the Millennials is that they accept change and respond to it in a comfortable way, rather they relish it (Fenn, 2008).

When ethics is studied from the viewpoint of Generations, then the focus is on their education and experiences (Carpen, 2008). Studies by Smith & Oakley (1994) found similarities between the age of an individual and his ethical beliefs. Boyd (2010) claims that owing to the quest to find meaning and fulfillment at work, the Millennials place less importance on the corporate conduct or the organizational mission, as compared to the previous Gen X. hence, while investigating various aspects of generational ethics, specific generational divisions related to categories of age must be kept in mind. Following this, Faber (2001), Half (2008) and Carpen (2008) have conducted a deep
critical analysis of generational ethics, although they did not address the role of ethics in starting a business by a Millennial entrepreneur.

Strutton, Pelton, and Ferrell (1997) have postulated a timeline in order to identify the various generations with respect to age factor. The Traditionalist or the Baby Boomer generation was born between 1943 and 1960, whereas Gen X was born between 1961 and 1981. The latest Gen Y, or The Millennials were born between 1982 and 2002. Strutton’s (1997) defined Millennials as “Generation 13ers because they are the 13th generation to know the American flag and Constitution”. Owing to their large volume and its impact on the economy, Millennials must be considered as a “specific group”. Hence, it is important that business managers be well aware of the expectations and perspectives of the Millennial Gen (Dorgan, 1997).

In a study conducted by Pellton and True (2004), it was proven that the Millennials lay immense importance on the “authority credence”, i.e., “following orders given by people in positions of power and authority”. For example, students who have high regard for parents, institution and other authorities would have high authority credence. In another study conducted by Half (2008) on a population of Millennials between 21 and 28 years old, he stated that various factors like salary, work-life are given due consideration by Millennials, but they do not specifically consider business ethics as a vital decision making factor for Millennial entrepreneurs. Today’s organizations are attempting to replace the baby Boomer and Gen X workforce with Gen Y, owing to their higher levels of education, fluent use of technology and eagerness to accept and respond to current business environment challenges (Fallon, 2009). These and many other related characteristics are very attractive to any organization, however after they have been hired, it is challenging for the organizations to keep them motivated and to retain them (Fallon, 1009). It has been shown through recent studies that the companies who incorporate social responsibility into their operations are deemed more credible and reputable for the Millennial workforce (McGlone, Spain, & McGlone, 2011).

Jurkiewicz and Bradley’s (2002) also carried out a cross-sectional research on the generations and their value preferences. Similar work was done by Ruegger and King (1992) who studied whether age or gender is a factor towards promoting ethical behaviors. Glenn (1992)’s findings measured the ethical judgment of students as a research population and their impact on business and society. Bran (2007) did a qualitative research on the entrepreneurs by studying their experiences, traits, values and beliefs, but they also did not focus on the decision-making process. Harber (2011) conducted a qualitative study and examined the differences between the generational behaviors in their workplace utilizing their strengths and weaknesses, hence evaluating the generations from the point of view of an employee and the management, again not incorporating the role of business ethics in their evaluation of generations and their decision-making process. The findings of these studies identified age-related preferences but did not specifically address ethics as a decision-making variable for starting a business. Hence, this highlights a gap in the studies investigating the role of ethics as a determining factor in Millennials’ decision-making process.

Andrews (2014) conducted in-depth qualitative interviews about the beliefs of entrepreneurs in business ethics. The main aim of this research was to determine whether ethics is a part of the decision-making process of the Millennials entrepreneurs when they start their own business and did not consider gender and education in the analysis of their research. He revealed that most entrepreneurs are functioning in small organizations however there is no proper documented ethical guidelines, unlike in large corporations. But, in spite of this, entrepreneurs consider ethical values as an integral part of their business. The study of Andrews (2014) relates the Millennial Gen entrepreneurs’ use of ethics as a vital part of their decision making process when they decide to start their
business. Andrews (2014) drew the Gen Y or Millennials as those born between 1980 through 2001. He claimed that majority of the previous research works address the ways in which ethics is implemented in business practices. His research concluded that most Millennial generation entrepreneurs did not use business ethics as part of their decision-making process when starting their own businesses and only one-third of them said they used ethics in their decision to start their business, although all considered ethics as very important.

Conclusion

This study reviewed the available body of knowledge on the perception of business ethics for the Millennial generation entrepreneurs when starting their business as part of their decision-making process. The review revealed that ethics is considered as an integral part of business by all Millennials, although it was not being extensively and routinely practiced in their business operations. It was deemed important that the Millennials must show a consistent behavior with customers, vendors and suppliers to reflect integrity and honesty in order to build successful business operations. They stated that ethical behaviors influenced their business reputation and this reputation was built on the basis of fairness and honesty in providing service/product to their customers. In addition to this, the Millennial entrepreneurs expected those they interacted with to show same good quality of ethical behaviors. These included vendors, customers and colleagues. Even some Millennials were of the view that they did not prefer dealing with those who did not show ethical behavior in their dealings.

This integral review confirms that while business ethics are important to Millennial generation entrepreneurs, most do not use business ethics in their decision-making process to start their businesses. This review is an extension of the current documentation on Millennial ethics and its comparison to other generations according to the importance of ethics to them. Further research can be conducted to see what other factors constitute the Millennial Gen entrepreneurs’ decision-making processes.

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